Money, Prices, Credit, and Banking

Etudes sur la Formation et le Mouvement des Prix. By MARCEL LENOIR. (Paris: M. Giard et E. Brière. 1913. Pp. viii, 201.)

The application of the principles of higher mathematics to economic phenomena has been made familiar by the work of such economists as Marshall, Jevons, Cournot, Fisher, Pareto, and others. Lenoir, in this book on the formation and the changes in price, adopts the mathematical method in order to trace the complex and confusing elements which establish prices. To the author, the diagram and the formula give brevity, clearness, and precision to economic facts, and constitute a scientific method for the determination of prices. He does not pretend to explain by this method all the elements which lead to the evaluation of commodities in terms of money, but rather to mark out the limits within which price fixing is likely to occur.

The first part of the book (pp. 5-62) deals with the theory relating to the formation of prices. Here the author shows by a series of curves and formulae how the price fixed for any given commodity on a market is the result of the equilibrium of demand and supply. Each of these factors, supply and demand, comprises two elements: the quantity of the commodity offered or demanded, and the sum of money offered or demanded in exchange. Starting with the simplest cases, those of an individual's demand and the exchange of two commodities by two individuals, the author computes the curves of indifference. The resultants of these simple curves, which are the graphic representation of individual choices and marginal utilities, give the curves of indifference for a group of consumers (the demand curve) and a group of producers (the supply curve). These group curves of indifference define the state of the market, show the possible transactions, determine the exact point of equilibrium and the price.

The second part of the book (pp. 62-161) traces the price changes in different markets of certain selected commodities—coal, wheat, cotton, and coffee. Curves are plotted which show changes in price, changes in the per capita consumption, changes in production, in importation, and in the monetary supply. In the case of each of the commodities selected the author shows that there is a very close correspondence in the maximum and the minimum points of the curves representing prices. These maxima and minima seem to fall within approximately the same periods

of time; so that for each commodity, during the nineteenth century, there is a marked regularity in the changes from low to high prices.

The causes for these price changes fall into two groups: the short, sharp oscillations in price; and the slow, gradual swing of the market. The most important influences in the first are the economic cycles and good or bad harvests; and in the second, increased or decreased consumption, improved methods of production, and the supply of money. The influence of the purchasing power of money can be traced clearly, and this seems to be the really dominant factor over long periods of time.

The author summarizes the price movement in Europe and America since 1820 in the following way:

(1) Falling prices from 1820-1848; due to a small supply of the precious metals, increase in the supply of commodities through improved processes of production, and low wages.

(2) Rising prices from 1848-1850, and a general high level of prices up to 1872; due to the abrupt increase of the gold supply, and a very active industrial demand for commodities.

(3) Falling prices from 1873-1896; due to the demonetization of silver, slackening in the gold production, and increase in the production of commodities.

(4) Rapid rise in prices since 1896. The important causes are increase in gold production, activity in the industrial demand, and, perhaps, a decrease in the supply of agricultural commodities through the increase in land values, and the extravagance of consumers.

This book contains many diagrams and formulae. In an appendix there are eighteen tables giving statistics in regard to banks; gold and silver production; price, production, and per capita consumption of wheat, coal, cotton, and coffee; and a table of index numbers. On the whole, the book is rather technical and is of little value to the reader who does not have a thorough knowledge of higher mathematics.

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NEW BOOKS

Adams, E. H. *Private gold coinage of California, 1849-55, its history and its issues.* (Brooklyn: N. Y. The author, 447a State St. 1913. Pp. 28, 110. $5.)

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